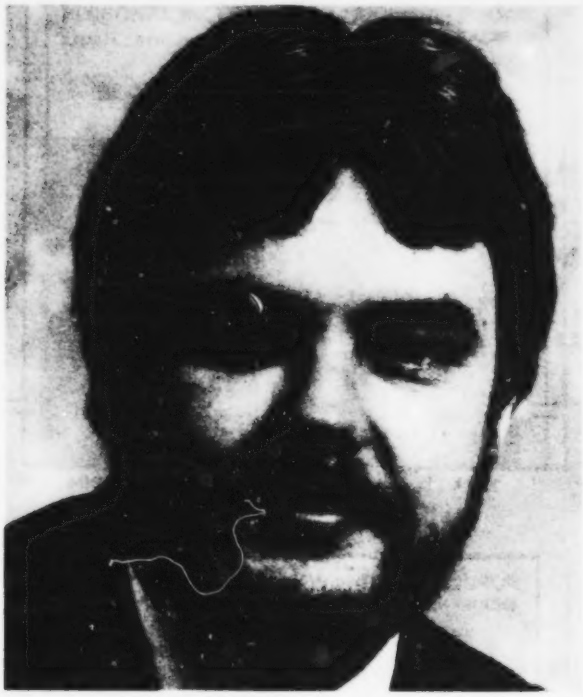
financial report 1984-85

Manitoba Finance



This Financial Report contains information on the fiscal position of the Province for the 1984-85 fiscal year.

Economic expansion continued for the second consecutive year in 1984 resulting in broadly based improvement following the weakness of the late 1970's and downturn of 1981 and 1982. Real output and investment gains were recorded in virtually every major sector of the economy, population continued to increase and as had occurred throughout the national recession and recovery, employment performance exceeded the national standard.

In its second year, the Manitoba Jobs Fund continued to provide a coordinating mechanism for the Province's job creation initiatives. However, in line with general economic improvement, greater emphasis was placed on projects to meet longer-term development objectives. At the beginning of the fiscal year, programming commenced under the Economic and Regional Development Agreements (ERDA) which were initiated with the previous federal government.

During the year, a long-term hydro electric power sales contract was concluded with Northern States Power Corporation of Minneapolis and an application for a power export permit was approved by the National Energy Board. As a result, planning proceeded for an early recommencement of construction of the Limestone Generating Station. Negotiations for additional export sales are continuing.

Along with the economic expansion, a reduction in the total budgetary requirement from the amount initially budgeted was achieved for the second consecutive year. A greater improvement would have occurred, and both financial requirements and the net operating deficit would have been lower than in 1983-84, had personal income tax receipts matched Budget estimates provided by the federal government.

Overall, expenditure increased $181 million or 5.6% from $3,226 million in 1983-84 to $3,407 million in 1984-85. Revenue increased $127 million or 4.6% from $2,797 million in 1983-84 to $2,924 million in 1984-85.

The Report shows a total budgetary requirement of $483 million, an improvement of $6 million from the amount initially budgeted. The net operating deficit was $191 million in 1984-85. The lower total budgetary requirement was the result of actual expenditure being held to $50 million below Budget projections, and above Budget revenue from Provincial collections and Established Programs cash transfer payments. Most of these improvements, however, were offset by a $96 million shortfall in personal income tax collections from the Budget estimate provided by the federal government.

The failure of personal income tax collections throughout the country to match federal expectations underlines the pressing need for meaningful national tax reform leading to a fair tax system capable of producing adequate revenue. In recent years, the integrity of the income tax system has been undermined and reliance has shifted to other forms of taxation not related to ability-to-pay. Manitoba has emphasized the links between inadequate income tax revenues, deficits and reduced fiscal flexibility. National tax policy decisions and initiatives bear a large part of the responsibility in these developments. In our view, taxation reform must ensure fairness and regular accountability for the costs and effectiveness of preferences, deductions and incentives.

In developing our own budgetary policies in 1984-85, our Government continued a series of pre-Budget economic and fiscal consultations with labour and business leaders, representatives from publicly funded institutions and community leaders throughout the Province. These consultations are important in bringing together the views and perspectives of Manitobans and their government. They have become an integral part of the process of developing policies responsive to the needs of Manitobans.

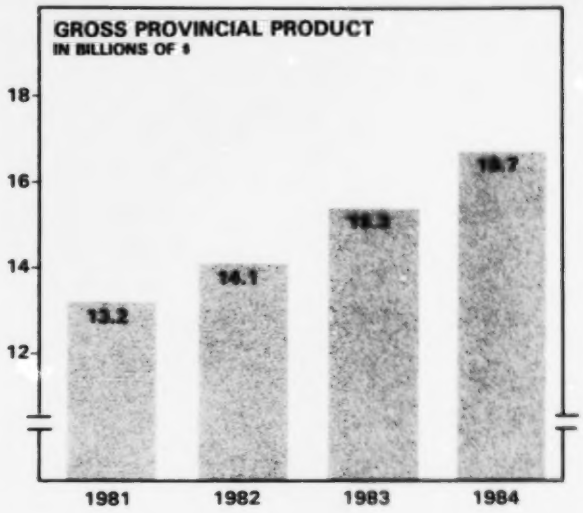
Considerable progress has been achieved in rebuilding the Manitoba economy from the long period of economic stagnation in the late 1970's. Our Government looks forward to continuing work with ordinary Manitobans, their representatives and leaders of their organizations in order to develop the resources and opportunities to ensure the continued development of our economic, social and cultural potential.

Eugene Kostyra
Minister of Finance
Chairman of The Treasury Board
June, 1986

ECONOMIC STATISTICS

Gross Provincial Product

In 1984, the second year of economic expansion following the 1981-82 recession, Manitoba's Gross Provincial Product rose to an estimated $16.7 billion, an increase of $1.4 billion or 9.3% above the 1983 level. Economic improvement was more broadly based in 1984 than in 1983 with real output and investment growth in virtually every sector of the economy. The Province continued to gain population through net in-migration from other provinces in 1984, and Manitoba's employment record continued to be better than the national standard as it has throughout the recession and recovery. Total employment in Manitoba increased by 2.6%, slightly above the growth rate for Canada as a whole. A higher proportion of the Manitoba than the Canadian total was concentrated in full-time jobs. As a consequence, personal income in Manitoba rose more rapidly than in Canada in1984. Manitoba's unemployment rate declined to 8.3% from 9.4% in 1983, and was the second lowest among the provinces.



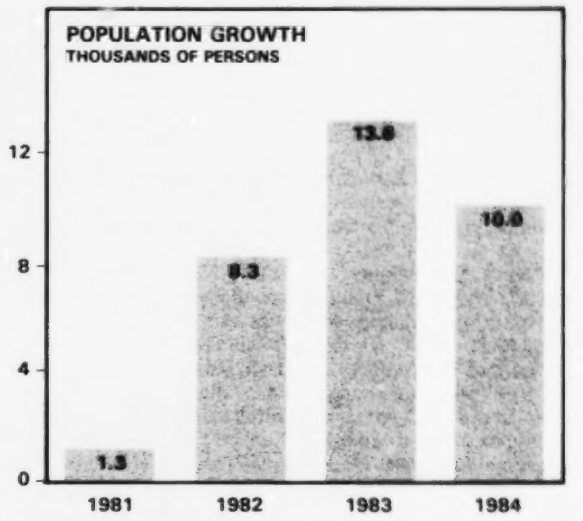
Sectoral Developments

The total value of farm production rose 10.7% to more than $2.2 billion in 1984. Production volumes for all major crops were well above their 1983 levels. Wheat production, at 137.5 million bushels, was approximately 1.5 million bushels above the previous record set in 1982, and 10% higher than in 1983, in spite of drought conditions in southwestern Manitoba. Barley and flaxseed production increased 22% and 48%, respectively, over 1983 volumes. In addition, production of canola increased by 37%, rye by 20% and sunflowers by 100%. Livestock production advanced in 1984 with increases in production of cattle, hogs and poultry.

The overall farm income picture improved somewhat in 1984 as the increase in realized gross income exceeded the increase in operating and depreciation charges. As a result, realized net income rose to approximately $340 million, an increase of 38% from 1983.

The mining sector recorded its second year of recovery in 1984 as the value of mineral production rose by 14.8% to an estimated $817 million. The value of metal production increased by 14.8% to an estimated $541 million, primarily as a result of increases in nickel production and zinc prices which more than offset lower prices for copper. The value of industrial minerals increased 22.0% to $107 million. Strong increases in production of cement and other construction materials reflected accelerated construction activity in the province. Increases in petroleum production levels and the average wellhead price resulted in the value of production rising to a record $169 million in 1984, 10.7% above its 1983 level.

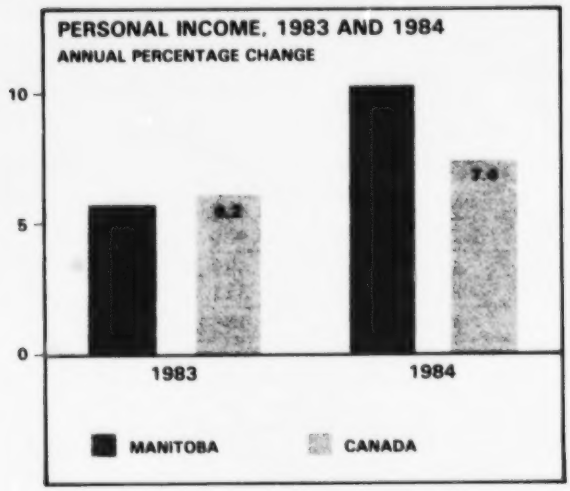
Manitoba's manufacturing sector demonstrated renewed vitality in 1984 as the value of manufacturing shipments increased by an estimated 8.3% to $5.2 billion. In real terms, that is after allowing for an estimated 4% growth in manufacturers' selling prices, shipments rose by over 4% in 1984, the strongest growth in the past five years. Among the major manufacturing industries, strongest

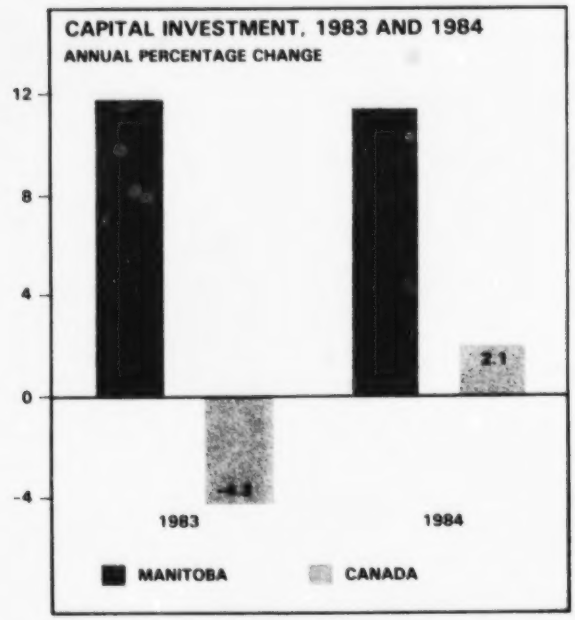


growth in shipments in 1984 was recorded in primary metals, machinery and non-metallic minerals. The food and beverages industry, which accounts for about 30% of the total value of manufacturing shipments, posted a 6.0% increase.

Activity in the construction sector in 1984 increased dramatically for the second consecutive year in Manitoba with the impetus for growth shifting from residential to non-residential building activity. Total construction expenditure increased by 9.1% in 1984 to approximately $1.8 billion while employment in the construction sector averaged 20% higher than in 1983.

Service sector growth continued to increase in 1984. Growth in the transportation sector was spurred by strong





output gains in the goods sector, while travel expenditures increased more rapidly than in 1983 as a result of stronger growth in real personal disposable income and continued growth in business profits. The value of retail sales increased by 7.0% in 1984 to an estimated $4.1 billion. Tourist expenditures in Manitoba, at $621.5 million in 1984, were 5.0% above the 1983 level. Increased tourist activity was evident in the retail sector, and in the accommodation and restaurant sectors. In 1984, room rentals and restaurant receipts increased by 8.8% and 12.5%, respectively, over 1983.

Employment and Incomes

Total employment in Manitoba averaged 472,000 in 1984, an increase of 12,000 or 2.6% from 1983. Virtually all of the additional jobs were full-time in contrast with the rest of Canada where a significant proportion were part-time. Both the number of people unemployed and the unemployment rate declined in Manitoba in 1984. The total number of unemployed was down by 10%, about three times the decline for the country as a whole. In 1984, the unemployment rate in Manitoba averaged 8.3%, well below the national average of 11.3% and the second lowest among the provinces.

For the calendar year 1984 Manitoba recorded net in-migration of 685 persons from other provinces. This was the third year of positive net interprovincial migration, marking a substantial improvement from the 1978-80 period when heavy out-migration losses, averaging more than 12,000 annually, were experienced. The population of Manitoba was estimated to have been 1,058,000 in June 1984, up 10,000 or 1.0% from a year earlier.

In 1984, personal income in Manitoba reached an estimated $14.5 billion, an increase of 10.3% over 1983 and the fastest growth among the provinces. Stronger growth in full-time employment in Manitoba in 1984 contributed to a 7.7% increase in labour income to $8.9 billion, compared with 6.1% growth at the national level. Personal disposable income rose by an estimated 11.0% to about $12.3 billion in 1984. The Consumer Price Index (CPI) for Winnipeg increased 3.6% in 1984, significantly below the 6.7% increase in 1983 and the lowest annual increase since 1971. The increase in the CPI for Canada averaged 4.4% in 1984.

Investment

Capital investment has been a strong source of growth in the Manitoba economy during the current economic expansion. Investment increased by 11.7% in 1983 and 11.3% in 1984 to $2.4 billion. While investment growth was concentrated in the housing and service sectors in 1983, it was much more broadly-based in 1984. As in 1983, both the private and public sectors contributed to the Province's improved investment performance in 1984. Relative to its 1982 recession low, the level of private investment in Manitoba was 26.5% higher in 1984. In Canada, meanwhile, private investment remained 2.0% below its 1982 level. For the two-year period, 1983 and 1984, capital investment growth in Manitoba was the strongest of any province in Canada.

FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL POSITION

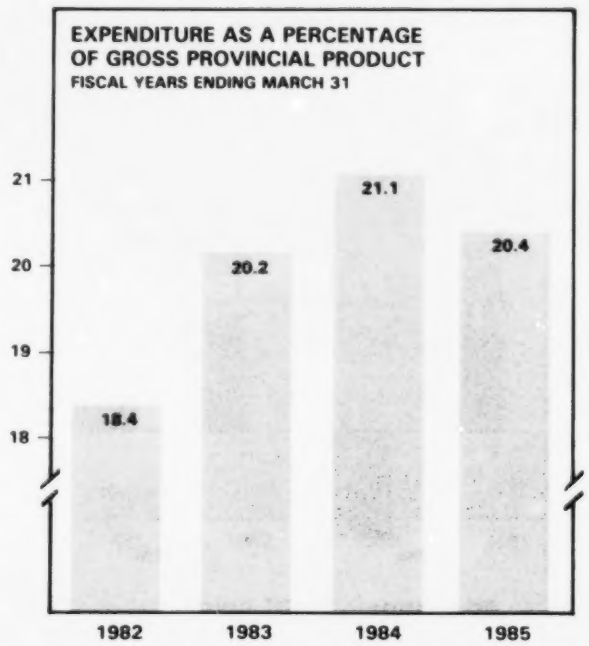
	1983-84	1984-85	
	Actual	Budget	Actual
		(millions of dollars)	
Total Current and Capital Expenditure	3,226	3,458	3,407
Less: Total Revenue	2,797	2,969	2,924
Total Budgetary Requirement	429	489	483
Less: Gross Capital Expenditure	263	321	292
Net Operating Deficit	166	168	191

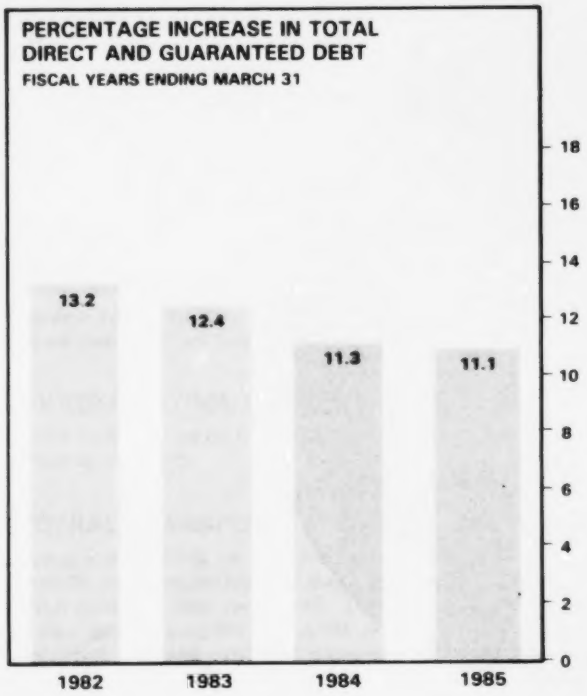
In 1984-85, the total budgetary requirement was $483 million or $6 million lower than the budget level of $489 million. The improvement over Budget projections resulted from actual expenditures being held significantly below initial Budget estimates for the second consecutive year. Both the total financial requirement and the net operating deficit would have shown improvement over the 1983-84 fiscal year had personal income tax revenue matched Budget estimates provided by the Federal Government.

Expenditure and Revenue

Total expenditure in the 1984-85 fiscal year amounted to $3,407 million, an increase of $181 million or 5.6% over the 1983-84 total of $3,226 million. Actual expenditure was $50 million or 1.5% lower than budget with the overall reduction being achieved despite increased program requirements in such areas as tax credit programs, social assistance programs and a Workers Compensation Board subsidy grant. As the economy expanded in 1984, provincial expenditure as a share of Gross Provincial Product declined from 21.1% in 1983-84 to 20.4% in 1984-85.

Total revenue in 1984-85 amounted to $2,924 million, an increase of $127 million or 4.6% from $2,797 million in 1983-84. Personal income tax receipts were $96 million less than the Budget estimates provided by the federal government. Part of this shortfall was offset by improvements in provincial own-source revenue due to improved economic activity within the Province and an increase in the Established Programs cash transfer payment, with the result that total actual revenue was $44 million lower than budget.

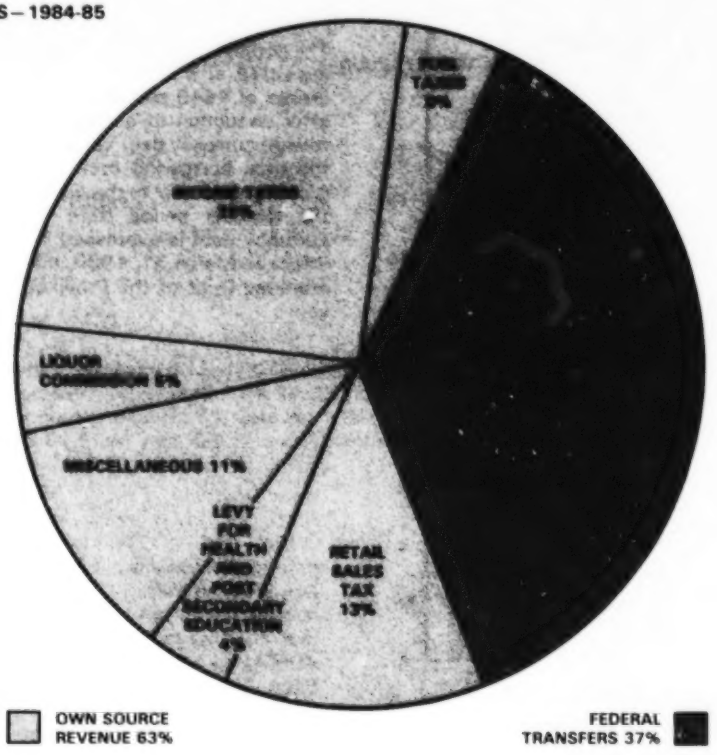




Direct and Guaranteed Debt

The combined Direct and Guaranteed Debt of the Province increased at a rate of 11.1% in 1984-85 with a net increase of $649 million to reach a level of $6,502 million after deduction of accumulated Sinking Funds and with foreign currency debt valued at exchange rates in effect at the time borrowing took place. At 11.1%, the rate of growth was equal to the compound annual growth rate for the ten-year period from 1975-85. When the foreign currency debt is expressed in terms of exchange rates in effect on March 31, 1985, the outstanding Direct and Guaranteed Debt of the Province amounted to $7,989 million.

MAJOR REVENUE SOURCES – 1984-85



The Revenue of The Province includes its own taxation levies, a variety of fees, licences and charges, profits derived from the Liquor Control Commission and payments from the Federal Government under fiscal arrangements and shared cost programs. It does not include cash received as the proceeds from borrowing nor does it include revenues earned by Crown Corporations, Agencies, Boards and Commissions, with the exception of the Liquor Control Commission.

In the 1984 Budget, revenue for the 1984-85 fiscal year was estimated at $2,969 million. By year-end, actual revenue amounted to $2,924 million or $45 million less than the budget estimate.

The shortfall was the result of actual personal income tax revenue being $96 million less than the Budget projection provided by the Federal Government, partly offset by above budget Provincial collections and Established Programs Cash transfer payments.

Approximately 63% of the Province's total revenue in 1984-85 was derived from its own sources, with the balance attributable to federal transfers. The following is a summary of the major revenue sources. A Statement of Revenue, by source, is found on page 18 of this publication.

"OWN SOURCE" REVENUE

The Majority of "Own Source" revenue, which totalled $1,827 million in 1984-85, is derived from taxation with the remainder coming from other sources such as the Liquor Control Commission, automobile and motor carrier licenses and fees and water power rentals.

INCOME TAXES

The individual income tax, which totalled $587 million in 1984-85, remains the largest single revenue source for the Manitoba Government. The Manitoba individual income tax basic rate is 54% of basic federal tax with a 20% surtax payable on taxable income in excess of $25,000. The tax is collected for the Province by the Federal Government under a long-standing agreement. The Federal Government makes instalment payments to the Province during the year based on the estimated revenue for the year. Adjustments are also made for prior years as information on actual collections becomes available.

Corporation income tax revenue in 1984-85 totalled $130 million. As in the case of the individual income tax, the corporation income tax is collected for the Province by the Government of Canada.

RETAIL SALES TAX

The Province also obtains revenue from a range of taxes on the sale and use of various goods and certain services. The most significant of these taxes is the Retail Sales Tax, which yielded $391 million in 1984-85. The general Manitoba sales tax rate under the Retail Sales Tax Act, and the Revenue Act, 1964, Part I is 6%.

LEVY FOR HEALTH AND POST-SECONDARY EDUCATION

The Health and Post-Secondary Education Levy resulted in revenue of $111 million for 1984-85. The levy is 1.5% of the total compensation paid by employers. Effective January 1, 1984 the levy was eliminated in its entirety for all employers with annual payrolls under $50,000 and applied at reduced rates to payrolls between $50,000 and $75,000.

FUEL TAXES

Gasoline Tax collections in 1984-85 totalled $102 million and Motive Fuel Tax totalled $46 million.

LIQUOR CONTROL COMMISSION

Profits from the Liquor Control Commission totalled $136 million in 1984-85.

FEDERAL TRANSFERS

Approximately 37% of the Province's total revenue in 1984-85 was attributable to Federal transfer payments which generally take two forms. Unconditional transfers involve general-purpose payments designed to assist in supporting a broad range of provincial services. Conditional transfers involve payments to help cover part of the costs of special programs provided by the Province.

Unconditional Transfers

The two largest Federal unconditional transfer programs are the Revenue Equalization Program and the Established Programs Financing Arrangements, both of which were affected by amendments to Federal Legislation effective for 1982-83 and subsequent years.

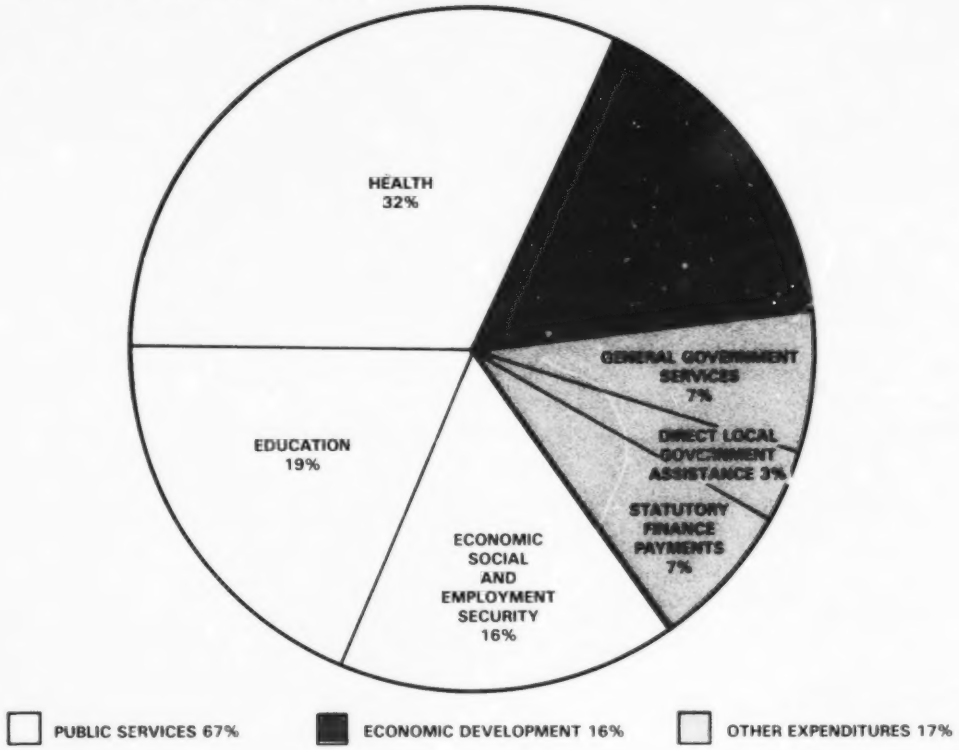
Under the Equalization Program, the Federal Government provides payments to a number of Provinces to supplement their per capita revenue from a broad range of their "own source" revenue. The payments which Provinces receive each year reflect both Federal estimates of entitlements for the current year and adjustments for prior years based on revised calculations of tax bases, tax rates and population. In 1984-85, Manitoba continued to receive equalization payments based on the "transitional arrangements" which provided a minimum guaranteed level of payments based on a formula established in 1982. The initial budget estimate of Manitoba's equalization revenue for 1984-85 was $481 million. Revised Federal calculations resulted in actual receipts of $478 million.

The other major general purpose transfer payment included in this category is received under the Established Programs Financing Arrangements. This "block funding" transfer is made available for general health and post-secondary education program purposes but is not calculated in relation to provincial costs for such programs. Contributions under this program are made on a per capita basis and are adjusted in line with changes in the growth rate of the Gross National Product. Established Programs cash receipts in 1984-85 totalled $405 million.

Conditional Transfers

In 1984-85, the Province received $211 million from the Federal Government through a variety of cost-sharing agreements under which the Federal Government reimburses the Province for a portion of expenditure incurred on specific programs. The largest of these programs provide Federal support for social assistance and social services under the Canada Assistance Plan, manpower training under agreements with the Canada Employment and Immigration Commission, and economic development under a series of agreements with the Federal Department of Regional Industrial Expansion.

MAJOR EXPENDITURE CATEGORIES – 1984-85



The Provincial Expenditure of a particular fiscal year consists of all payments made from the voted and statutory appropriations of that fiscal year. This total includes both "current" or "operating" expenditure as well as expenditure on items of a "capital" nature.

Expenditure Authority

"Voted" appropriations accounted for 93% of the 1984-85 expenditure. These amounts were expended on the authority of a supply vote in the Legislature or by special warrant approved by the Lieutenant Governor of Manitoba. Statutory appropriations, which accounted for the balance of the expenditure, were made on the authority of various provincial statutes and included such items as debt servicing costs and payments for hydro rates stabilization.

The total expenditure authority available to the Government for the 1984-85 fiscal year was $3,516 million. Actual expenditure for the year totalled $3,407 million or $109 million less than the total authority. Authority which is not utilized in a fiscal year lapses and cannot be carried forward to the following year.

A statement of expenditure, by department is found on page 17 of this publication.

Major Expenditure Categories

Departmental expenditure for 1984-85 is classified in the following Major Expenditure Categories:

HEALTH

The expenditure of the Department of Health amounted to $1,072 million or 32% of the total provincial expenditure in 1984-85. Health is the largest department in the Government and is responsible for a broad range of programs, many of which are administered through the Manitoba Health Services Commission. Programs administered through the Health Services Commission are the Hospital Program, for $562 million, the Medical Program, for $202 million, the Personal Care Home Program, for $144 million, and the Pharmacare Program for $26 million. The Department also provided institutional care for the mentally ill at a cost of $33 million.

EDUCATION

Education is the second largest department of the Government, with expenditure totalling $653 million or 19% of the total provincial expenditure in 1984-85. Financial support is provided through the Department both to Public Schools for $372 million and to post-secondary institutions, including the Province's Community Colleges for $54 million and its Universities for $153 million through the Universities Grants Commission.

ECONOMIC, SOCIAL AND EMPLOYMENT SECURITY

Expenditure in this category amounted to $555 million or 16% of the total provincial expenditure in 1984-85.

Income Assistance expenditure for certain major programs, including the Property Tax Credit Program, the Pensioners' School Tax Assistance Program and the Cost of Living Tax Credit Program totalled $192 million in 1984-85. These programs are the responsibility of the Department of Finance which administers them in conjunction with the Department of Municipal Affairs, the Manitoba Housing and Renewal Corporation and Revenue Canada.

Expenditure in this category for 1984-85 by the Department of Community Services and Corrections totalled $155 million. The largest portion of these funds were required for Child and Family Services programs for $69 million, Community Social Services Programs for $58 million, and Corrections and Probation Services for $24 million. The Department of Employment Services and Economic Security had expenditures in this category of $184 million which were required for various forms of social programming, including Social Allowances Programs for $149 million, the Manitoba Supplement for Pensioners for $3 million and the Child Income Support Program for $6 million.

ECONOMIC DEVELOPMENT INCLUDING THE JOBS FUND

Expenditure in this category amounted to $537 million or 16% of the total provincial expenditure in 1984-85. Included in this category are programs designed to sustain and encourage economic development and job creation in the private sector.

Highways and Transportation

Expenditure by the Department of Highways and Transportation totalled $194 million in 1984-85. Approximately $87 million of this total was expended on the continued construction of the highway system to service existing and new industries, resources and tourism, while an additional $62 million was expended on the maintenance program for the primary and secondary road system and for northern airports.

Jobs Funds

Jobs Fund expenditure totalled $69 million in 1984-85. Approximately $46 million of this total was expended on projects of a capital nature and included such items as $2 million for the University of Winnipeg Field House, $6 million for the University of Manitoba Earth Sciences Building, $4 million for the Red River Community College Diesel Shop Expansion, $2 million for the Northern Regional Program, $3 million for Forest Renewal and Restoration, $1 million for the Main Street Manitoba Program, $2 million for Road Construction and $15 million for the North Portage Redevelopment Program.

Natural Resources

Expenditure by the Department of Natural Resources totalled $84 million in 1984-85. This total included major expenditures for parks, water resources, forestry and other services.

Northern Affairs

Expenditure by the Department of Northern Affairs totalled $26 million in 1984-85. This total includes $10 million expended under the Canada-Manitoba Northern Development Agreement.

Agriculture

Department of Agriculture expenditure totalled $60 million, covering a broad range of services to the extremely important agricultural sector of the economy.

Housing

Expenditure by the Department of Housing totalled $39 million in 1984-85. This total included expenditures to the Manitoba Housing and Renewal Corporation for $21 million, Grants and Subsidies for $5 million and the Critical Home Repair Program for $2 million.

Other

Significant expenditures by other departments in this policy field in 1984-85 were made by Business Development and Tourism for $16 million, Energy and Mines for $12 million, Environment and Workplace Safety and Health for $12 million, Industry Trade and Technology for $9 million and Labour for $9 million.

General Government Services

Included in this category are expenditures for the provision of Government space requirements, financial management and other central services of the Government. Expenditures in 1984-85 amounted to $237 million or 7% of the total provincial expenditure. The total includes expenditure by the Departments of Government Services for $94 million, Attorney General for $67 million, Civil Service for $43 million, Finance for $14 million and Legislation and Executive Council for $12 million.

DIRECT LOCAL GOVERNMENT ASSISTANCE

Expenditure in this category amounted to $111 million or 3% of the total provincial expenditure in 1984-85. The largest share of this total was expended by the Departments of Municipal and Urban Affairs whose combined expenditure totalled $98 million in 1984-85. The total includes direct assistance to municipalities through such programs as block funding for the City of Winnipeg and Grants in lieu of taxes. Unconditional income tax transfers

to municipal governments in the amount of $31 million for 1984-85 are not included in these totals, but are shown as reductions from personal and corporation income tax revenue.

STATUTORY FINANCE PAYMENTS

Expenditure in this category amounted to $242 million or 7% of the total provincial expenditure in 1984-85. The costs of servicing the debt of the Province amounted to $224 million. This is as net expenditure after deduction of interest revenue received by the Province on loans and advances and from the investment of the Government's cash flow and sinking funds.

Included in this category are payments amounting to $18 million made under the Hydro Rate Stabilization Program.

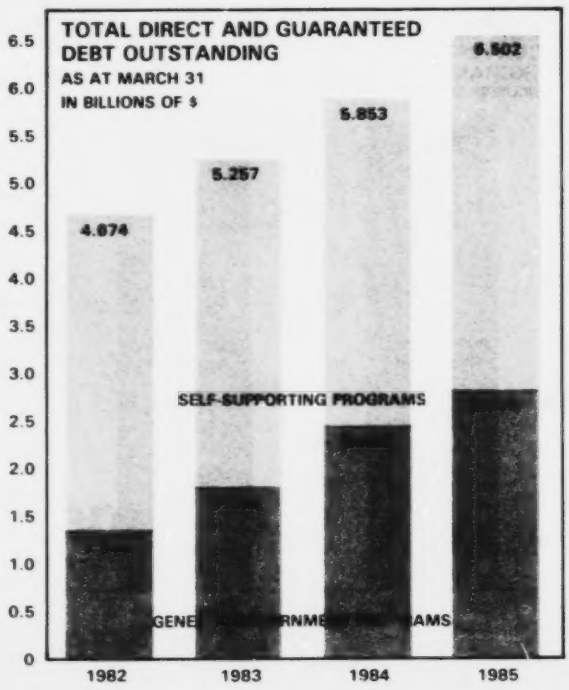
DIRECT AND GUARANTEED DEBT

The Province of Manitoba incurs "direct debt" through the issuance of bonds, debentures and other securities to secure funds for its own needs as well as for the capital requirements of certain of its Agencies. Debt incurred on behalf of these Agencies is generally self-supporting so that any debt service charges paid on this debt are recovered directly from the Agency.

In addition to having direct debt, the Province also acts as a guarantor of securities issued by various other entities. This "guaranteed debt" is largely self-supporting although a part of it is on behalf of universities and hospitals that are serviced in whole or in part from Government appropriations.

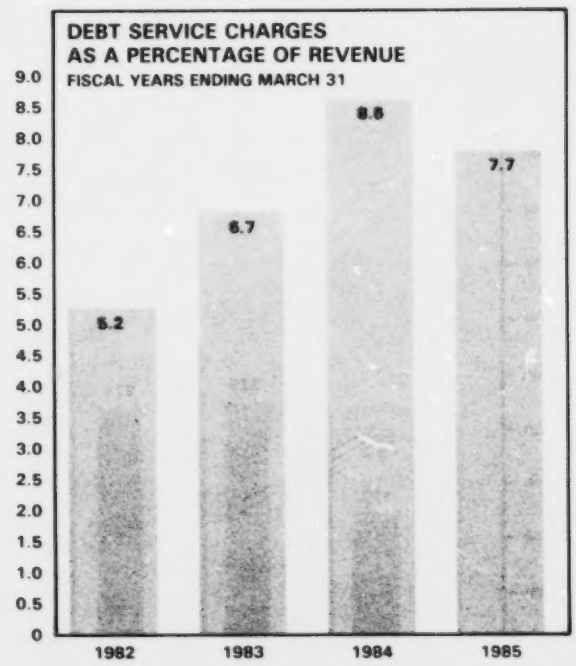
There is a requirement to maintain sinking funds for the repayment of both "direct debt" and "guaranteed debt" of the Province. These sinking funds are generally deducted from the applicable debt when determining the outstanding debt of the Province.

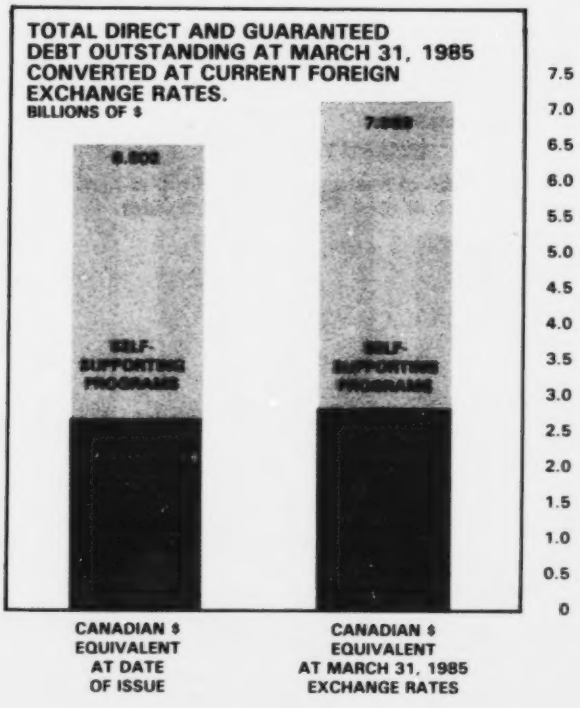
At March 31, 1985, the combined direct and guarateed debt of the Province less securities held in the sinking fund for debt redemption reached a level of $6,502 million of which $3,732 million represented debt issued for self-supporting programs. During the fiscal year ended March 31, 1985, the combined debt increased 11.1%.



DEBT SERVICE CHARGES

In the fiscal year ended March 31, 1985, the cost of servicing debt issued for the purpose of general Government programs reached a level of $224 million and represented approximately 7.7% of gross provincial revenue.





VALUATION OF FOREIGN DEBT

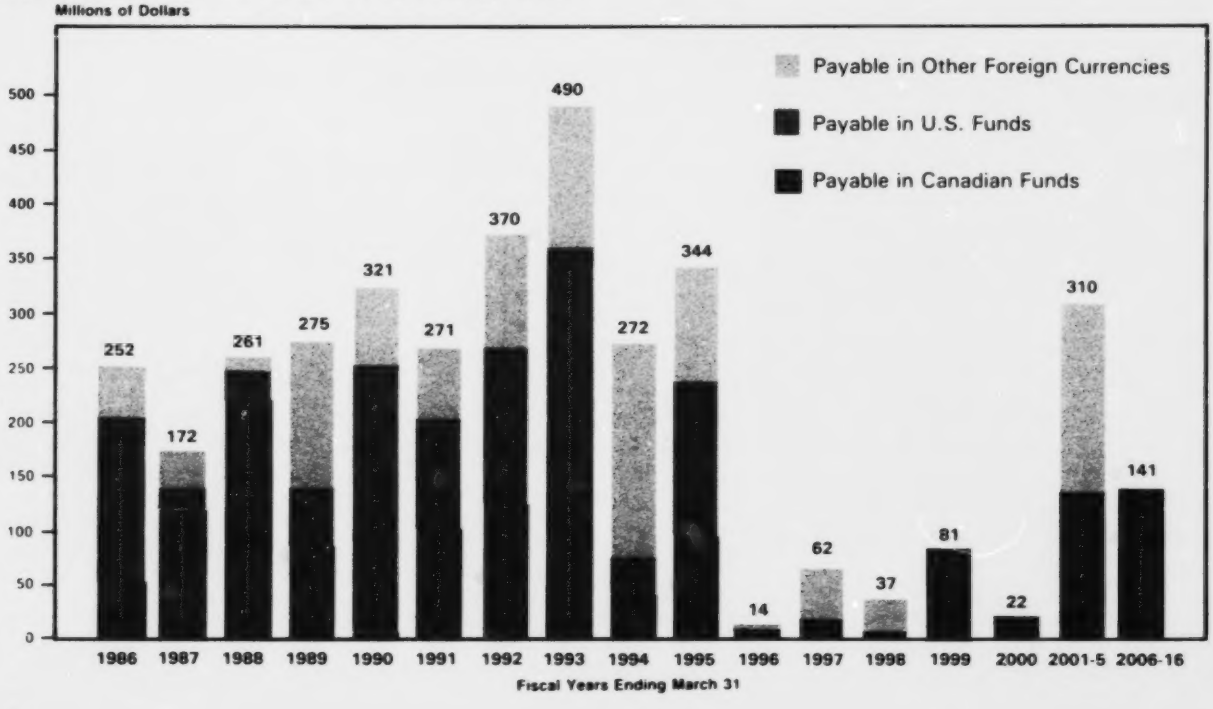
At March 31, 1985, approximately 50% of the combined debt was payable in foreign currencies, subjecting the Province to significant foreign exchange exposure. The combined debt figures previously referred to reflect the Canadian dollar equivalent of the value of the foreign debt at time of issue. If the figures were to reflect foreign exchange values at March 31, 1985, the debt would increase by approximately $567 million.

Although 63% of the combined foreign currency debt is payable in U.S. Dollars with the balance being in various European and Asian currencies, 94% of the foreign exchange fluctuation is attributable to U.S. Dollars.

DEBT REFINANCING

During the next decade, $4,645 million of the combined direct and guaranteed debt matures against which it is estimated that the Province will have accumulated approximately $1,618 million of sinking funds to be applied against such maturities leaving approximately $3,027 million of the debt to be refunded. These figures are based on the value of the debt calculated at foreign exchange values on date of issue for all foreign debt and does not include $130 million in Treasury Bills which are assumed to be continually refinanced and $278 million Manitoba Properties Inc. Shares. Commencing July 1, 1989 in each calendar quarter, Manitoba Properties Inc. will attempt to purchase ¾ of 1% of the shares outstanding as at June 30, 1989.

Direct and Guaranteed Debt — Refunding Requirements (Net of Sinking Funds) by Fiscal Year Based on the Canadian Dollar Equivalent on Date of Issue for all Foreign Debt.



Financial Statements

for the year ended

March 31, 1985

The Public Accounts

"Public Accounts" is the term commonly used to describe the complete set of financial statements prepared annually by the Government of the Province of Manitoba. The requirement for the preparation of the Public Accounts is statutory, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts are published in two volumes. The first volume contains the audited Financial Statements for the fiscal year, which are prepared in accordance with the accounting policies of the Government. It includes, as well, detailed accounting information and the Provincial Auditor's Report on the Public Accounts. The second volume contains Supplementary Information regarding details of Salaries and Wages paid to Employees, Cash Payments to Corporations, Firms, Individuals, Other Governments and Government Agencies and Cash Payments from Departmental Appropriations during the fiscal year.

Accounting Policies

The accounting policies of the Government are a set of standards or practices that the Government has adopted for purposes of accounting and financial reporting. The practices followed by the Manitoba Government are those generally accepted for accounting and financial reporting by Governments in Canada, although some differences exist between Provinces. Any changes in accounting policies from those followed in the preceding year must be reported in the Public Accounts. In this publication, significant changes will be explained in the Notes to the Financial Statements.

The accounting policies followed by the Government of the Province of Manitoba with respect to the preparation of the financial statements included in the Public Accounts as well as those in this publication are reprinted on page 28. This information is organized into two sections:

Statement
This is a brief summary of the basic accounting policies followed by the Government.

Application
This section describes in more detail the application of the accounting policies to the Revenue and Expenditure of the fiscal year and to the Asset and Liability Accounts reported at fiscal year end.

Notes to the Financial Statements

While the Application section of the accounting policy describes the general content of the accounts shown in the Government's financial statements, explanation may be required of specific items included in these accounts or of changes that have occurred since the previous fiscal year. This is done by means of Notes to the Financial Statements which then become an integral part of the financial statements and are required for better understanding of the information presented.

Statements included in Financial Report — 1984–85

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of "The Consolidated Fund" are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the various categories of trust money administered by the Government.

This publication includes the following "Operating Fund" financial statements which are taken from the Public Accounts and further summarized for presentation purposes. The trust administration activities of the Government are reflected in these statements only to the extent that trust money is held and invested through the Operating Fund by the Minister of Finance:

Statement of Changes in Financial Position — Operating Fund

This statement summarizes the changes that have occurred in the financial position of the Province during the fiscal year. It states the Net Financial Requirement for the fiscal year as well as how the financing was provided to meet this requirement. Further supporting information for this statement is contained on the following four statements:

Statement of Expenditure
This statement provides a breakdown, by department, of the Expenditure for the fiscal year as shown on the Statement of Changes in Financial Position.

Statement of Revenue
This statement provides a breakdown, by Revenue source, of the Revenue for the fiscal year as shown on the Statement of Changes in Financial Position.

Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables
This statement, which summarizes the increases and repayments that have occurred during the fiscal year in long-term investments, advances and other receivables, provides further detail for the net increase in these accounts as shown on the Statement of Changes in Financial Position.

Summary Statement of Debt Transactions
This statement, which summarizes the purpose for which money was borrowed and the retirement of debt during the fiscal year, provides further detail for the increase in debt as shown on the Statement of Changes in Financial Position.

Operating Fund Assets and Liabilities

This statement shows the Assets and Liabilities of the Operating Fund as at the end of the fiscal year. Notes to the Financial Statements are used extensively with this statement to provide further information on the content of the Asset and Liability Accounts.

Excess of Liabilities over Recorded Assets

The account shown on this statement records the amount by which the liabilities of the Province exceed its recorded assets. This amount results essentially from an accumulation of the following:

- Operating surpluses or deficits of the Province in preceding fiscal years.
- Advances to and investments in Government Agencies that have been written off as well as a provision for losses on advances and investments that are presently outstanding.

This statement presents the net results of the changes that have occurred in the Province's assets and liabilities during the fiscal year.

Statement of Valuation and Purpose of Bonds, Debentures and Other Long-Term Debt Outstanding

The Province records the liability for foreign debt based on the Canadian Dollar equivalent of the par value converted at the rate of exchange in effect at the date of issue. The annual fluctuation in potential debt repayment cost resulting from changes in currency values is not reflected in the books of the Province. However, a Statement of Valuation and Purpose of Bonds, Debentures and Other Long-Term Debt Outstanding at the year end, showing the comparison between the value of the outstanding direct and guaranteed debt, based on rates of exchange in effect at year end, to the Province's recorded liability, is included for information purposes. This statement provides a breakdown of the debt by currency as well as by purpose for which the debt was issued.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF CHANGES IN FINANCIAL POSITION — OPERATING FUND

For the Year Ended March 31, 1985

		March 31, 1985 ($ millions)		March 31, 1984 ($ millions)
Expenditure		3,407		3,226
Revenue		2,924		2,797
Excess of Expenditure over Revenue		483		429
Prior Years' Adjustments:				
Provincial Grant Payments to School Divisions	–		72	
Provincially Collected Tax Revenue	–	–	(40)	32
Cash Transfer on Dissolution of the Manitoba School Capital Financing Authority		–		(3)
Net Increase in Respect of:				
Advances to Crown Corporations, Agencies, Boards and Commissions	30		145	
Long-Term Investments	44		4	
Other Advances and Receivables	5		6	
	79		155	
Principal Repayments on Serial Debentures Transferred from the Manitoba School Capital Financing Authority (Note 5)	(12)	67	(11)	144
Net Financial Requirement		550		602
Financing was provided by:				
Debt Transactions				
Proceeds of loans	638		1,051	
LESS: Retirement of Loans	133		305	
	505		746	
Less: Net Contributions to Sinking Funds	145		103	
	360		643	
Net Proceeds from Borrowing				
Cash Received from Sale of Land and Buildings to Manitoba Properties Inc. (Note 6)	195		–	
Total Financing		555		643
Financing Exceeded Requirement		5		41
Working Capital (Deficiency) Beginning of Year		(36)		(77)
Working Capital (Deficiency) End of Year		(31)		(36)

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF EXPENDITURE

For the Year Ended March 31, 1985

	March 31, 1985 ($ millions)	March 31, 1984 ($ millions)
Legislation	7	7
Executive Council	5	3
Agriculture	60	48
Attorney-General	67	65
Business Development and Tourism	16	16
Civil Service	43	39
Community Services and Corrections	155	146
Consumer and Corporate Affairs	4	4
Co-operative Development	6	6
Crown Investments	1	1
Culture Heritage and Recreation	20	18
Education	653	610
Employment Services and Ecoomic Security	184	164
Energy and Mines	12	10
Environment and Workplace Safety and Health	12	16
Finance	461	468
Government Services	94	76
Health	1,072	1,001
Highways and Transportation	194	187
Housing	39	36
Industry, Trade and Technology	9	10
Labour	9	9
Municipal Affairs	34	32
Natural Resources	84	85
Northern Affairs	26	26
Urban Affairs	64	65
Emergency Interest Rate Relief	4	5
Flood Control and Emergency Expenditures	3	4
Manitoba Jobs Fund	69	69
	3,407	3,226

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF REVENUE

For the Year Ended March 31, 1985

	March 31, 1985 ($ millions)	March 31, 1984 ($ millions)
Taxation:		
Individual Income Tax	587	596
Retail Sales Tax	391	355
Corporation Income Tax	130	111
Levy for Health and Post Secondary Education	111	108
Gasoline Tax	102	100
Tobacco Tax	66	54
Motive Fuel Tax	46	42
Revenue Act, 1964, Part 1	33	30
Corporation Capital Tax	24	24
Mining Tax	9	24
Oil and Natural Gas Tax	15	15
Insurance Corporation Tax	15	14
Mining Royalty Tax	–	10
Reciprocal Taxation Agreement	12	10
Pari-Mutuel Tax	5	5
Total Taxation Revenue	1,546	1,498
Other Revenue:		
Liquor Control Commission	136	128
Automobile and Motor Carrier Licences and Fees	29	28
Water Power Rentals	12	12
Minerals and Petroleum	8	8
Fines and Costs	7	6
Land Titles Fees	10	7
Municipalities	6	6
Parks	5	4
Forestry	3	2
Automobile and Drivers' Licences	4	4
Rentals from Various Government Properties	2	2
Other	55	47
Total Other Revenue	277	254
Revenue Related to Capital Assets	4	7
Total Own Source Revenue	1,827	1,759
Government of Canada:		
Equalization	478	478
Established Programs Cash Transfer	405	367
Current Operating Programs	194	178
Revenue Related to Capital Assets	17	13
Government of Canada Subsidy	2	2
Share of Federal Oil Export Tax	1	–
Total Revenue from Government of Canada	1,097	1,038
Total Revenue	2,924	2,797

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA
SUMMARY STATEMENT OF TRANSACTIONS IN LONG-TERM INVESTMENTS, ADVANCES AND OTHER RECEIVABLES

For the Year Ended March 31, 1985	March 31, 1985 ($ millions)	March 31, 1984 ($ millions)
Crown Corporations, Agencies, Boards and Commissions:		
Increase in Advances:		
Manitoba Hydro-Electric Board	63	201
Manitoba Telephone System	–	65
Manfor Ltd.	–	149
Manitoba Housing and Renewal Corporation	48	56
Manitoba Agricultural Credit Corporation	30	33
Manitoba Development Corporation	14	1
Manitoba Crop Insurance Corporation	3	1
Manitoba Crop Reinsurance Account	10	–
Manitoba Beef Stabilization Fund	6	6
Manitoba Hog Producers' Marketing Board	6	4
Manitoba Water Services Board	2	3
Other Crown Corporations, Agencies, Boards and Commissions	2	3
	184	522
Repayment of Advances:		
Manitoba Hydro-Electric Board	86	184
Manitoba Telephone System	19	53
Manfor Ltd.	–	115
Manitoba Agricultural Credit Corporation	14	10
Manitoba Crop Reinsurance Account	8	–
Manitoba Housing and Renewal Corporation	5	–
Manitoba Hog Producers' Marketing Board	3	–
Manitoba Development Corporation	–	3
Manitoba Mineral Resources Ltd.	–	3
Manitoba Water Services Board	1	1
Other Crown Corporations, Agencies, Boards and Commissions	4	3
	140	372
Increase in Sinking Funds provided by Crown Corporations or Boards for Repayment of Debt Applicable to Advances	14	5
	154	377
Net Increase in Advances to Crown Corporations, Agencies, Boards and Commissions	30	145
Net Increase (Decrease) in Long-Term Investments:		
Manitoba Mineral Resources Ltd.—Shares	–	7
Manitoba Oil and Gas Corporation—Shares	–	5
Manfor Ltd.—Shares	44	(8)
	44	4
Other Advances and Receivables:		
Increase in Other Advances and Receivables:		
Insulation Loan Program	4	6
Emergency Interest Rate Relief Program	2	4
Canadian Co-operative Implements Ltd.	–	3
Churchill Hydro Line Extension	1	–
Other Receivables	4	–
	11	13
Repayment of Other Advances and Receivables:		
Insulation Loan Program	3	5
Municipal Corporations	1	2
Other Receivables	2	–
	6	7
Net Increase in Other Advances and Receivables	5	6

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

SUMMARY STATEMENT OF DEBT TRANSACTIONS

For the Year Ended March 31, 1985

	March 31, 1985 ($ millions)	March 31, 1984 ($ millions)
Proceeds of Loans:		
To Provide For:		
General Government Programs	495	507
Manitoba Hydro-Electric Board	20	85
Manitoba Telephone System	–	61
Manitoba Housing and Renewal Corporation	–	42
Manitoba Jobs Fund Programs	42	55
Manfor Ltd.	25	11
Manitoba Beef Stabilization Fund	–	10
Manitoba Oil and Gas Corporation	5	–
Manitoba Hog Income Stabilization Plan	5	–
Manitoba Mineral Resources Ltd.	3	6
Venture Capital Program	–	1
Funding advances previously made to:		
Manitoba Agricultural Credit Corporation	–	75
Manitoba Housing and Renewal Corporation	–	8
	595	861
Refunding Matured Provincial Securities re:		
General Government Programs	–	70
Manitoba Hydro-Electric Board	43	116
Manitoba Telephone System	–	4
	638	1,051
Debt Assumed by Province:		
Transferred from The Manitoba School Capital Financing Authority	–	215
Total Proceeds of Loans	638	1,266
Less: Debt Assumed by Province	–	215
Net Proceeds of Loans	638	1,051
Retirement of Loans:		
General Government Programs	26	65
Manitoba Hydro-Electric Board	86	184
Manitoba Telephone System	19	53
Manitoba Data Services	1	1
Various Municipalities	1	2
Total Retirement of Loans	133	305

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

OPERATING FUND ASSETS AND LIABILITIES

As At March 31, 1985

	March 31, 1985 ($ millions)	March 31, 1984 ($ millions)
Assets		
Temporary Investments	891	800
Advances and Other Receivables:		
Crown Corporations, Agencies, Boards and Commissions (Note 1)	2,071	2,041
Government of Canada and Others (Note 2)	139	129
Long-Term Investments (Note 3)	295	251
	3,396	3,221
Less: Allowance for Losses on Realization of Assets (Note 4)	173	131
Total Assets	3,223	3,090
Excess of Liabilities Over Recorded Assets and Other Obligations Held by the Province Considered To Be Similar in Nature		
Serial Debentures of School Divisions and Districts Transferred from The Manitoba School Capital Financing Authority (Note 5)	189	201
Securities Received from the Sale of Land and Buildings to Manitoba Properties Inc. (Note 6)	129	–
Excess of Liabilities Over Recorded Assets (Note 7)	2,256	2,055
	2,574	2,256
	5,797	5,346
Liabilities		
Amount Owing to The Trust Fund (Note 8)	526	470
Bank Overdraft and Promissory Notes	41	80
Accounts Payable, Accrued Charges and Funds Subject to Call	448	375
	1,015	925
Bonds, Debentures and Other Long-Term Debt (Note 9)	5,472	4,966
Less: Sinking Funds Provided (Note 10)	660	515
	4,812	4,451
Less: Debentures Issued under Financial Assistance Agreements (Note 11)	30	30
	4,782	4,421
Total Liabilities	5,797	5,346
Guaranteed and Indirect Liabilities		
Securities Guaranteed by the Government		
Self-Supporting Debt (Note 12)	1,658	1,625
Debt Whose Main Source of Income is the Consolidated Fund (Note 13)	278	–
Debt Serviced in Whole or in Part from the Consolidated Fund (Note 14)	15	19
	1,951	1,644
Less: Applicable Sinking and Other Related Trust Funds (Note 15)	342	241
	1,609	1,403

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXCESS OF LIABILITIES OVER RECORDED ASSETS

As at March 31, 1985
(in $ millions)

Balance March 31, 1984		2,055
Deduct:		
Proceeds from the Sale of Land and Buildings to Manitoba Properties Inc. (Note 6)		324
		1,731
Excess of Expenditure over Revenue for the fiscal year ended March 31, 1985		483
		2,214
Add:		
Increase in Allowance for Losses on Realization of Assets:		
March 31, 1985 Balance	173	
March 31, 1984 Balance	131	42
Balance March 31, 1985		2,256

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF VALUATION AND PURPOSE OF BONDS, DEBENTURES AND OTHER LONG-TERM DEBT OUTSTANDING

As at March 31, 1985

Valuation of Debt	Par Value ($ millions)	Canadian Dollar Equivalent at Date of Issue ($ millions)	Exchange Rate as at March 31, 1985	Current Canadian Dollar Equivalent ($ millions)
Direct Debt Payable in:				
Canadian Dollars	2,903	2,903	1.00	2,903
U.S. Dollars	1,112	1,321	1.3670	1,520
Swiss Francs	905	509	.5258	476
European Units of Account	31	39	1.3324	42
Japanese Yen	100,400	512	.005509	553
Deutsche Marks	400	187	.4442	177
Total Direct Debt		5,471		5,671
Guaranteed Debt Payable in:				
Canadian Dollars	954	954	1.00	954
U.S. Dollars	926	931	1.3670	1,266
Swiss Francs	160	56	.5258	84
Deutsche Marks	30	9	.4442	13
Pounds Sterling	.4	1	1.6958	1
Total Guaranteed Debt		1,951		2,318
Total Direct and Guaranteed Debt		7,422		7,989
Less: Sinking Funds		920		920
Net Direct and Guaranteed Debt		6,502		7,069
Purpose of Debt				
General Government Programs		3,328		3,424
Other:				
Manitoba Hydro-Electric Board		2,789		3,217
Manitoba Telephone System		547		586
Manitoba Properties Inc.		278		278
Manitoba Agricultural Credit Corporation		147		149
Manitoba Housing and Renewal Corporation		109		111
Manitoba Jobs Fund Programs		93		93
Manfor Ltd.		37		37
University of Manitoba		18		18
Manitoba Water Services Board		18		18
Federal-Provincial Loan Agreements		12		12
Manitoba Beef Stabilization Fund		10		10
Emergency Interest Rate Relief Program		9		9
Manitoba Mineral Resources Ltd.		8		8
Manitoba Data Services		6		6
Manitoba Hog Income Stabilization Plan		5		5
Manitoba Oil and Gas Corporation		5		5
Venture Capital Program		1		1
Municipal, Hospital and Other Indebtedness		2		2
		4,094		4,565
Total Direct and Guaranteed Debt		7,422		7,989
Less: Sinking Funds		920		920
Net Direct and Guaranteed Debt		6,502		7,069

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

NOTES TO THE FINANCIAL STATEMENTS

(All Figures in millions of dollars)

1. **Crown Corporations, Agencies, Boards and Commissions**
Advances outstanding at March 31 are listed on the following table. Advances are reduced by sinking funds provided by certain Crown Corporations and Boards for repayment of the debt issued to fund the advances to these entities. Further details of sinking fund amounts are shown in note 10.

	1985	1984
Manitoba Hydro-Electric Board	$1,355	$1,378
Manitoba Telephone System	330	350
Manitoba Agricultural Credit Corporation	211	196
Manitoba Housing and Renewal Corporation	176	132
Manitoba Development Corporation	27	13
Manitoba Water Services Board	17	17
Manitoba Beef Stabilization Fund	16	10
Manitoba Hog Producers Marketing Board	8	4
Manitoba Data Services	6	10
University of Manitoba	5	5
Manitoba Crop Insurance Corporation	4	1
Manitoba Crop Reinsurance Account	4	2
Manitoba Text Book Bureau	4	4
The Liquor Control Commission	4	4
Other	6	4
	$2,173	$2,130
Sinking Funds	102	89
	$2,071	$2,041

The Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables provides information on the changes that occurred in the advance accounts during the fiscal year.

2. **Government of Canada and Others**
Amounts in this category, which are due within one year of the statement date are classified as "Current Amounts". The "Current Amounts" balance, includes shared-cost expenditures recoverable from the Government of Canada in the amount of $40 million and Provincially Collected Tax Revenue in the amount of $53 million.

Changes in the "Not Current" amounts included in this category are shown on the Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables.

The following summarizes all balances at March 31:

	1985	1984
Current Amount	$ 94	$ 89
Municipal Corporations	12	13
Others	33	27
	$139	$129

3. Long-Term Investments

Long-Term Investments consist of shares and debentures of Crown Corporations with the exception of a $3 million investment in Tantalum Mining Corporation of Canada Limited and a $.5 million investment in shares of the Northland Bank. The following summarizes the balances at March 31:

	1985	1984
Manfor Ltd.	$222	$178
Manitoba Development Corporation	50	50
Manitoba Mineral Resources Ltd.	7	7
Leaf Rapids Town Properties Ltd.	6	6
Manitoba Oil and Gas Corporation	5	5
Other Crown Corporations	1	1
Other Investments	4	4
	$295	$251

4. Allowance for Losses on Realization of Assets

The allowance provides for the decrease in value of advances and investments in the following Crown Corporations, Agencies, Boards and Commissions.

	1985	1984
Manfor Ltd.	$ 90	$ 80
Manitoba Development Corporation	44	26
Manitoba Beef Stabilization Fund	16	8
Manitoba Crop Insurance Corporation	3	–
Manitoba Water Services Board	2	4
Manitoba Mineral Resources Ltd.	3	1
Manitoba Hog Producers' Marketing Board	6	4
Manitoba Energy Authority	1	–
A. E. McKenzie Co. Ltd.	8	8
	$173	$131

5. Serial Debentures Transferred from The Manitoba School Capital Financing Authority.

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, were assumed by the Government. The investments transferred to the Government consisted of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. Accordingly, an annual appropriation is made in the Consolidated Fund to cover the principal and interest costs of these debentures. The principal repayments received on the investments are allocated to the Province of Manitoba Sinking Fund for the retirement of the liabilities assumed by the Province.

6. Sale of Land and Buildings to Manitoba Properties Inc.

On August 1, 1984, the Province sold land and buildings, which were valued at $532,995,036, to two crown corporations, Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. Under the purchase arrangement, the properties were resold to Manitoba Properties Inc. at the same price. The province received the following consideration for the transaction:

104,633,448 common shares of Manitoba Properties Leasing Inc.	$104,633,448
104,633,448 common shares of Manitoba Properties Management Inc.	104,633,448
Promissory note of Manitoba Properties Inc. due July 31, 1994	128,977,631
Cash	194,750,509
	$532,995,036

On resale of the assets to Manitoba Properties Inc., the two crown corporations each received 10,000 common shares of Manitoba Properties Inc., which were valued at a total of $209,266,896. The resale agreement stipulated that Manitoba Properties Inc. would record the issue of these shares in its share capital account at a value of $20,000 and that the balance of $209,246,896 would be designated and accounted for as contributed surplus. This contributed surplus was subsequently transferred to retained earnings and is available for the payment of annual dividends to the preferred shareholders of Manitoba Properties Inc. Payment of dividends from retained earnings has the effect of reducing the value of the Manitoba Properties Inc. shares owned by Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. and would have the collateral effect on the shares in these two corporations owned by the Province. As a result, the Province has allocated $209,246,896 of the sales proceeds to a special valuation account. This account is used to reflect the diminution of the value of the common shares of Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc., as the result of dividends paid to preferred shareholders of Manitoba Properties Inc.

7. **Excess of Liabilities over Recorded Assets**
This account usually records the changes in the Province's "Net Assets" which result from operating deficits or a recalculation of the Allowance for Losses on Realization of Assets. It may also be used to record adjustments to the Government's Asset and Liability accounts which result from a change in accounting policy or adjustments resulting from the operations of previous fiscal years which do not directly affect the Revenue and Expenditure of the fiscal year being reported. A separate statement of this account is included on Page 22 of this Publication.

8. **Amount Owing to the Trust Fund**
The Government's policy with respect to money management requires that all short-term investments be made in the Operating Fund regardless of the source of the money. The balance shown here consists primarily of surplus cash of Crown Corporations, Agencies, Boards and Commissions on deposit with the Minister of Finance for investment, but not specifically invested. At any time the aggregate amount and the average term of short-term investments may or may not equal the aggregate amount and the average term of the trust funds on deposit with the Government. At March 31, 1985, the amount of Temporary Investments exceeded the amount advanced from the Trust Fund by $365 million.

9. **Bonds, Debenturses and Other Long-Term Debt**
The Summary Statement of Debt Transactions provides information regarding new direct debt issued and debt retired during the fiscal year. Approximately 47% of the direct debt payable at March 31, 1985 is in foreign currencies. The Statement of Valuation and Purpose of Bonds, Debentures and Other Long-Term Debt provides a breakdown by type of currency as well as a revaluation of this debt at the exchange rates in effect at year end. The statement also summarizes the purpose for which the debt was issued, showing the amount incurred for general government programs separate from debt incurred on behalf of government agencies and others.

10. **Sinking Funds Provided**
Sinking funds are provided for repayment of debt issued by the Province for its own purposes as well as the debt issued by the Province on behalf of its Crown Corporations and Boards. In the latter case, contributions to the sinking funds are made by the entity to which the debt applies. The status of contributions at March 31, was as follows:

	1985	1984
Provincial Contributions	$558	$427
Crown Corporations and Boards:		
Manitoba Hydro-Electric Board	$ 82	$ 72
Manitoba Telephone System	15	12
Manitoba Housing and Renewal Corporation	5	4
Total Crown Corporations and Boards	$102	$ 88
Total Sinking Funds	$660	$515

11. **Debentures Issued Under Financial Assistance Agreements**
Bonds, Debentures and Other Securities include debentures in the amount of $30 million which were issued under agreements with the Credit Union Stabilization Fund and Les Fonds de Securite

des Caisses Populaires. Under these agreements the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires received advances of $25 million and $5 million respectively in the form of provincial debentures which are required to be cancelled at maturity. The purpose of this arrangement was to provide financial assistance to these aforementioned entities during the term of the debenture consistent with the interest payable on these debentures.

12. Self-Supporting Debt

The Province guarantees the following debt which is considered to be self-supporting:

	1985	1984
The Manitoba Hydro-Electric Board	$1,434	$1,415
The Manitoba Telephone System	217	203
The Manitoba Water Services Board	6	6
Various Cities and Towns	1	1
	$1,658	$1,625

Approximately 62% of this debt is in foreign currencies. A revaluation of this foreign debt at the exchange rates in effect at fiscal year end is shown on the Statement of Valuation and Purpose of Bonds, Debentures, and Other Securities Outstanding.

13. Debt Whose Main Source of Income is the Condolidated Fund

The Province guarantees the following debt of a Crown Corporation whose main source of income is the Consolidated Fund:

	1985	1984
Manitoba Properties Inc.	$278	$ –

14. Debt Serviced in Whole or In Part From The Consolidated Fund

The Province guarantees the following debt which is serviced in whole or in part from the Consolidated Fund:

	1985	1984
University of Manitoba	$13	$17
Various Hospitals and Other Institutions	2	2
	$15	$19

All of this debt is payable in Canadian Dollars.

15. Sinking and Other Related Trust Funds

Sinking and Other Related Trust Funds are provided mainly by those entities with self-supporting debt for retirement of the guaranteed debt.

	1985	1984
SINKING FUNDS		
The Manitoba Hydro-Electric Board	$214	$193
The Manitoba Telephone System	35	35
The Manitoba Water Services Board	1	1
University of Manitoba	10	12
	$260	$241
TRUST FUNDS		
Manitoba Properties Inc.	$ 78	$ –
Maitoba Telephone System	4	–
	$ 82	$ –
	$342	$241

ACCOUNTING POLICIES

Statement

The basic accounting policies followed by the Government of Manitoba, which have been applied in the preparation of these Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of The Statutes of Manitoba. Further information regarding their application to the financial transactions of the Government is provided in the section entitled "Application".

I. The Accounting Entity

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of The "Consolidated Fund" are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts received as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Financial statements prepared for the "Trust Fund" report the activities in the various categories of trust money administered by the Government.

The financial operations of the provincial Crown Corporations, Agencies, Boards and Commissions are reflected in The "Consolidated Fund" to the extent that:

1) They receive money from or pay money to the Government.

2) Any deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government.

II. Cash Basis of Accounting

A REVENUE

i) Revenue, with the exception of Provincially collected tax revenue, shared-cost receipts and Canada-Manitoba Fiscal Arrangements, is ordinarily recorded on a cash basis. Accordingly, all money received by Departments on or before March 31 is included in the revenue for the fiscal year, provided that it is deposited with the Minister of Finance prior to the fifteenth day of April, immediately following.

ii) Provincially collected taxes received by the Government in April with respect to collections made by Agents during March are recorded as revenue for the fiscal year just ended. These amounts are recorded as an account receivable from these Agents as at March 31.

iii) Money received pursuant to shared-cost agreements and arrangements that extend over more than one fiscal year is recorded as revenue in each fiscal year in proportion to the related expenditure made in the respective year. Accordingly, the uncollected balance of the shared-cost claims related to the fiscal year being reported will be included in the revenue of that fiscal year.

iv) Revenue and expenditure are recorded in gross amounts (referred to as the Gross Accounting Concept) with the exception of the Municipal Share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act and is not recorded as revenue by the Government.

v) Recoveries from Crown Corporations and Government Agencies of the debt servicing costs on self-supporting debt and certain investment income are recorded as a reduction of Public Debt expenditure.

B EXPENDITURE

Expenditure is recorded on a cash basis, modified to allow an additional forty-five days after the end of the fiscal year for the processing of payments pertaining to that fiscal year. Salaries and wages, however, are charged to the fiscal year in which they are paid. As well, an accrual is made to March 31st for interest payable on bonds, debentures and other long-term debt.

III. Assets and Liabilities

1. The assets and liabilities reported in the financial statements are financial claims consisting of assets which are claims by the Government on other parties and liabilities which are claims by other parties on the Government.
2. Expenditure for the acquisition and/or construction of physical assets together with inventories and other deferred expenditures is not considered to differ from any other service to the public and accordingly is treated as an expenditure of the year in which the expenditure is made. Since such expenditure does not represent financial claims on others, it is not reported as an asset at fiscal year-end. This does not negate the fact that the Government has substantial holdings of physical assets such as buildings, highways, education and health facilities, which may tend to appreciate in value over time.
3. Amounts loaned, advanced or invested in Crown Corporations, Agencies, Boards and Commissions are subject to annual revaluation. An Allowance For Losses On Realization Of Assets is provided and is adjusted annually to reflect the estimated change in value of these assets.

4. Bonds, debentures and other long-term debt are recorded as liabilities at the par value of such securities and any discount, premium or commission expense is treated as an expenditure of the year in which it is incurred. For foreign issues, the par value is converted to Canadian Funds at the exchange rate in effect at the date of issue, or the actual conversion rate of the proceeds. Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act.

IV. Guaranteed and Indirect Liabilities

In addition to having direct debt, the Government also acts as a guarantor of securities issued by various other entities. The debt guaranteed pertaining to Crown Corporations, Agencies, Boards and Commissions is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund. Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown Corporations, Agencies, Boards and Commissions. These Sinking Funds are maintained by the Minister of Finance through annual contributions from the Crown Corporation, Agency, Board or Commission to whom the debt applies and are held in the Trust Fund.

Other Contingent Liabilities that result from other financial activities of the Government are also reported annually in the Public Accounts.

Application

The following outlines the application of these accounting policies to the financial transactions of the Government:

I. Revenue

The revenue of the fiscal year is generally the amount received during the fiscal year. Exceptions are made for Provincially collected taxes, shared-cost receipts and revenue from the Government of Canada, which are subject to the following additional practices:

a) Provincially collected taxes received by the Government in April with respect to collections made by Agents during March are recorded as revenue for the fiscal year just ended. These amounts are recorded as an account receivable from these Agents as at March 31.

b) Where, pursuant to an agreement or arrangement, money is received in advance relating to projects for which expenditure is to be made in more than one fiscal year, the money is deemed to have been received in each fiscal year in proportion to the related expenditure made in the respective fiscal year.

c) It is the practice to show the uncollected balance of claims related to shared-cost agreements with the Government of Canada as an account receivable at March 31. This accrual is made in order that the revenue from this source is recorded in proportion to the related expenditure incurred in the fiscal year.

d) An additional practice is in effect regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements. The accounts are kept open until June 30th to reflect any adjustments to this revenue for the fiscal year just ended that the Government of Manitoba may become aware of before that date. Since this is a major source of Government revenue, this practice is considered necessary to show the financial condition of the Government in the most accurate manner possible.

II. Expenditure

The expenditure of the fiscal year is essentially the payments made from appropriations during the fiscal year and for a subsequent forty-five day period after March 31. The accounts remain open during this period to allow processing time for expenditure pertaining to the fiscal year just ended.

An exception to this procedure is made for the interest cost on the long-term debt of the Government. In this regard, an accrual is made to March 31st for the interest payable on bonds, debentures and other long-term debt. In the case of foreign issues, the accrual is based on the exchange rate that was recorded at the time of debt issue. There is no provision made for the fluctuation of foreign currencies between the debt issue dates and the interest payment dates.

The Allowance For Losses On Realization Of Assets is not charged to an appropriation. This amount, which represents an estimate of the change in recoverable value of the loans, advances and investments in Crown Corporations, Agencies, Boards and Commissions during the fiscal year, is reported on the statement that discloses the Excess of Liabilities Over Recorded Assets. When a legal realization of the loss occurs the final write off of the loan, advance or investment will be disclosed after the operating results on the Summary of Revenue and Expenditure along with details as to the year in which the allowance was recorded.

Payments made by the Government for the purposes of acquiring property or physical assets are classified in a separate category of expenditure called "Expenditures Related to Capital Assets" and are defined as follows:

a) Expenditures for property of all kinds, both real property and chattels, purchased or self-constructed for use by Government that are deemed to have an economic life in excess of one year.

b) Expenditures for projects or activities which entail major renewals, modification or modernization by own labour forces on behalf of the Government. The expenditure should significantly prolong the expected economic life of the asset.

c) The principal portion of a debt repayment when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the Consolidated Fund as an expenditure.

d) Grants or assistance payments to municipalities, school divisions, external agencies, commercial organizations and private individuals which are known to be for the purchase, construction or improvement of physical assets.

III. Assets and Liabilities

The statement of the Operating Fund Assets and Liabilities is prepared in accordance with the following practices:

1. **TEMPORARY INVESTMENTS**
This category includes securities held as a result of the investment of the Government's cash flow and is generally comprised of money market instruments such as term deposits and negotiable securities which are intended to be held for a short term. All investments are shown at cost.

2. **ADVANCES AND OTHER RECEIVABLES**
Advances to Crown Corporations, Agencies, Boards and Commissions, which are generally interest bearing, are shown under this heading as well as financial claims on the Government of Canada and other parties. Amounts due within one year of the statement date are shown as "Current Amounts" and all others are classified as "Not Current". Balances under the advances category are not separated into a current portion and non-current portion even though repayment schedules may exist for some of these items. The Sinking Funds provided by Crown Corporations, Agencies, Boards and Commissions for repayment of the debt issued to fund advances to these entities are deducted from the advances.

Certain of the Crown Corporations are charged with a responsibility for administering Government programs for which they receive funds from Government appropriations. These funds are applied by the Corporation towards the program administration cost, including, in some cases, a portion of the interest they are charged on these advances. The principal repayment and/or interest charges for certain of the advances are dependent on total or partial funding from future appropriations of the Operating Fund.

3. **LONG-TERM INVESTMENTS**
The majority of the Province's long-term investments consist of shares and debentures of Crown Corporations. These investments are carried at cost which does not reflect the realizable value of the investments. Any decrease in the estimated realizable value is provided for in the Allowance For Losses On Realization Of Assets, which is described in the next paragraph.

4. **ALLOWANCE FOR LOSSES ON REALIZATION OF ASSETS**
An allowance is provided for decreases in the value of loans, advances and investments and is adjusted annually for changes that may occur in the estimated realizable value of these assets. The allowance is intended to provide for the accumulated deficits of the Crown Corporations, Agencies, Boards and Commissions in which the Government has invested money by way of loans, advances or purchases of shares. The valuation is based on the most recent audited financial statements applicable to the fiscal year being reported that are available at the time of publication of the Public Accounts. If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the accumulated deficit is assigned against the investments in order of priority on liquidation.

5. **EXCESS OF LIABILITIES OVER RECORDED ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE:**

a) SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY
The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the government is primarily responsible for repayment. Accordingly, an annual appropriation is made in the Consolidated Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment of the debt assumed from the authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

b) SECURITIES RECEIVED FROM THE SALE OF LAND AND BUILDINGS TO MANITOBA PROPERTIES INC.

Land and buildings, which were valued at $532,995,036 were sold to two crown corporations, Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. on August 1, 1984. Under the purchase arrangement, the properties were resold to Manitoba Properties Inc. at the same price. In addition to cash, the purchase consideration received from the sale consisted of common shares of Manitoba Properties Leasing Inc. and Manitoba Properties Management, Inc. and a promissory note from Manitoba Properties Inc.

The recorded value of the common shares has been reduced by a special valuation account which was established from a portion of the sale proceeds and is used to reflect the diminution of the value of these shares as the result of dividends paid to preferred shareholders of Manitoba Properties Inc. Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. jointly own all the common shares of Manitoba Properties Inc. and the value of their equity in these shares decreases annually with the payment of dividends by the latter to preferred shareholders. The interest payable to the Province on the promissory note is funded from the annual rental payments made by the Province to Manitoba Properties Inc. and is therefore dependant on future appropriations of the Consolidated Fund.

c) EXCESS OF LIABILITIES OVER RECORDED ASSETS

This account and the two accounts previously described represent the difference between liabilities, which are financial claims owing by the Government, and recorded assets, which are financial claims receivable by the Government. Since the physical assets and materials inventories of the Government do not constitute a financial claim receivable by the Government, they are not considered in the determination of this balance.

6. AMOUNT OWING TO THE TRUST FUND

A large portion of this money has been deposited with the Minister of Finance in accordance with the terms of the legislation regulating the management of sinking funds and surplus cash of Crown Corporations, Agencies, Boards and Commission, but is not specifically invested. Such deposits are accorded a market rate of interest.

7. BANK OVERDRAFT AND PROMISSORY NOTES

This category represents the net overdraft in Government bank accounts adjusted for cheques issued prior to and not presented for payment at March 31 and for cash in transit. Short term promissory notes are issued in lieu of increasing bank overdraft or liquidating investments to accommodate fluctuations in the cash flow cycle and are therefore considered together with the bank overdraft. Cheques issued subsequent to March 31 but chargeable to the fiscal year just ended are described in the next category.

8. ACCOUNTS PAYABLE, ACCRUED CHARGES AND FUNDS SUBJECT TO CALL

Cheques issued during the forty-five day period after March 31, in payment for goods and services pertaining to the fiscal year just ended are shown as accounts payable rather than outstanding cheques.

Accrued charges represent the accrual of interest on provincial securities.

Funds subject to call consist in part of money received from the Government of Canada that will not be taken into revenue until earned. This was earlier described as Deferred Revenue in paragraph 1 b). As well, this category includes the liability for uninvested cash belonging to the Provincial Sinking Fund. This cash is designated as part of the Provincial Sinking Fund and must be kept available for investment.

9. BONDS, DEBENTURES AND OTHER LONG-TERM DEBT

This category includes bonds, debentures, secured loans from the Government of Canada, treasury bills and notes. Securities issued in Canadian Funds are recorded at par value. Securities issued in foreign funds are recorded at the Canadian Dollar equivalent of the par value based on the actual conversion of the proceeds or at the exchange rate in effect at the date of issue if conversion does not take place at issue date. Securities payable in foreign funds issued for the purpose of refunding other issues payable in the same currency are recorded at the Canadian Dollar equivalent of the par value at the date of issue.

The Government is required, by legislation, to determine the Canadian Dollar equivalent of provincial securities issued in foreign currencies or units of monetary value at March 31 of each year. The amount determined must be published in the Public Accounts as information regarding the current valuation of this foreign debt.

10. SINKING FUNDS PROVIDED

Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act. Money is allocated annually to these sinking funds on the following basis:

a) A sum equal to 3% of the aggregate amount of general purpose debt, in Canadian Dollars, outstanding at the end of the preceding fiscal year; and

b) All earnings derived from investing the sinking fund.

In addition principal repayments of advances which are funded by the issue of provincial securities are deposited to the sinking fund provided that the principal repayments are made prior to the maturity date of such securities.

The total shown for sinking funds also includes sinking fund money provided by Crown Corporations, Agencies, Boards and Commissions in respect to debt incurred on their behalf by the Government.

11. DEBENTURES ISSUED UNDER FINANCIAL ASSISTANCE AGREEMENTS

Bonds, debentures and other long-term debt include debentures issued under agreements with the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires whereby these organizations received advances in the form of provincial debentures which are required to be cancelled at maturity. The purpose of this arrangement was to provide for financial assistance to the aforementioned entities during the term of the debentures consistent with the interest payable on these debentures.

IV. Changes in Financial Position

This statement presents the changes in the Government's financial position during the fiscal year. For purposes of this statement, working capital is defined to include the following:

a) Cash

b) Temporary investments

c) Current portion of advances and other receivables

Minus

d) Amounts owing to the Trust Fund

e) Bank overdraft and promissory notes

f) Accounts payable, accrued charges and funds subject to call